

10/23/84

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Credit
Research
Center

MONOGRAPH NO. 27

**Prices of Consumer Credit in the
Absence of Rate Ceilings: An Update**

1984

Krannert Graduate School of Management — Purdue University

PRICES OF CONSUMER CREDIT IN THE ABSENCE
OF RATE CEILINGS: AN UPDATE

A. Charlene Sullivan*

Abstract

This study was done to document the level and range of rates for consumer loans in states with no rate ceilings after a period of decline in the level of market interest rates. This reinterview also serves to update the study of rates in deregulated states that was completed one year ago [2]. We found that competitive forces were such that modal consumer loan rates in Illinois and Arizona had followed the trend in the national average rates collected by the Federal Reserve Board.

We also found that competition for consumer loans in Arizona, a state with a highly concentrated banking structure, was such that average rates for some types of consumer loans charged by banks had dropped dramatically relative to average rates in Illinois. The sources of the competition in

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Arizona were credit unions and national finance companies. We concluded from these data that even in markets where new entry by banks is relatively restricted, competition from other types of lenders act to keep local rates in line with the level suggested by conditions in the national financial market.

PRICES OF CONSUMER CREDIT IN THE ABSENCE
OF RATE CEILINGS: AN UPDATE

A. Charlene Sullivan

In 1983, the Credit Research Center studied the level of unregulated loan rates in Illinois and Arizona--states that had generally removed rate ceilings for consumer loans [2]. At the time of the 1983 study, rates had been "unregulated" for two to three years in the two states chosen for study. We found that the range of rates available for a given type of consumer loan in 1983 was surprisingly broad. But, average rates for various types of loans were consistent with prevailing consumer loan rates in the economy, given the unique characteristics of the competitive environments of each state.

Rates for consumer loans fell nationally throughout 1983 (Exhibit 1) until May 1984, when an uptick in rates was recorded by the Federal Reserve survey of "most common" rates for direct fixed-rate new auto loans and unsecured personal loans. This reinterview was initiated in the spring of 1984 to evaluate the level of rates for consumer loans in markets without rate ceilings after a period when rates had declined nationally.

1. DESIGN OF THE PROJECT

The goals of this research were to map the distribution of rates charged for various types of cash and noncash credit by a representative sample of creditors in Illinois and Arizona. The two states selected for study differed dramatically in terms of competitive structure of banking. Illinois currently allows limited branching but historically has been a unit banking state. At the time of the reinterview, about 1400

EXHIBIT 1

RATES CHARGED BY BANKS SINCE 1983 STUDY

	<u>Auto Loan Rate</u>	<u>Unsecured Personal Loan Rate</u>
February 1983	14.81%	17.47%
May 1983	13.90	16.57
August 1983	13.50	16.28
November 1983	13.46	16.39
February 1984	13.32	16.16
May 1984	13.53	16.35

SOURCE: G.19 Statistical Release, Board of Governors of the Federal Reserve.

banks operated in Illinois. Arizona allows statewide branching for banks and has only 31 independent banks.

In Illinois half the banks, credit unions and savings and loan associations were included in the sample frame while all the banks, credit unions and savings and loan associations in Arizona were included. In both states, all the local and national finance companies were included in the sample frame. This sample design corresponds with that for the 1983 study.

Response Rates

About one-third of the lenders in the Illinois sample frame responded to the questionnaire (Appendix A) while about 40 percent of the lenders in the Arizona sample responded (Exhibit 2). A very good response rate of 50 percent or more was attained for the national finance companies in both states.

To test whether the respondent banks were representative of the original sample, total assets of all banks included in the sample frame and the responding lenders were compared. In Illinois, the respondent banks were more likely to fall in the \$50-500 million size categories than the banks in the sample frame (Exhibit 3). This was also true in the respondent group from Arizona. Banks with less than \$50 million in assets were underrepresented in the respondent samples in both states. Last year, we found some evidence that rates offered by banks with small consumer loan portfolios were lower than rates charged by the largest banks in Illinois, but the opposite was true in Arizona. Thus, the characteristics of the respondent sample might cause an upward bias for bank rates in Illinois and a downward bias in Arizona.

EXHIBIT 2

ANALYSIS OF RESPONSE

	<u>Sent</u>	<u>Responses Returned</u>	<u>Response Rate</u>
<u>Banks</u>			
Illinois	691	221	32%
Arizona	31	15	50
<u>Credit unions</u>			
Illinois	619	207	33
Arizona	120	47	39
<u>Savings and loan associations</u>			
Illinois	283	80	28
Arizona	9	4	44
<u>Finance companies - local</u>			
Illinois	48	16	33
Arizona	5	1	20
<u>Finance companies - national</u>			
Illinois	28	15	54
Arizona	28	14	50
<u>Overall Response Rate</u>			
Illinois	32.29%		
Arizona	41.97%		

EXHIBIT 3

BANK SAMPLE - ILLINOIS

<u>Total Assets</u>	<u>Sample</u>		<u>Respondents</u>	
Less than \$50 million	460	66%	110	50%
\$50-100 million	128	18	61	28
\$101-500 million	73	11	43	19
\$501 million-\$1 billion	1	--	1	--
Over \$1 billion	<u>32</u>	<u>5</u>	<u>6</u>	<u>3</u>
	694	100%	221	100%

BANK SAMPLE - ARIZONA

<u>Total Assets</u>	<u>Sample</u>		<u>Respondents</u>	
Less than \$50 million	20	65%	6	40%
\$50-100 million	2	6	2	13
\$101-500 million	4	13	4	27
\$501 million-\$1 billion	0		0	
Over \$1 billion	<u>5</u>	<u>16</u>	<u>3</u>	<u>20</u>
	31	100%	15	100%

II. THE LEVEL AND RANGE OF LOAN RATES

Financial institutions were asked to provide the most likely annual percentage rate (APR) charged on various types of consumer loans to depositors and nondepositors during the business week of April 16 - April 21, 1984.

The types of loans for which data were collected varied slightly by type of creditor, but the common set for each lending institution included:

(1) New car, \$8000, 85 percent loan-to-dealer-cost (wholesale) ratio, 48 months

(2) Late model used car, (under two years old) \$5000, 90 percent loan-to-dealer-cost (wholesale) ratio, 42-48 months

(3) Older model used car (three to four years old) \$3000, 90 percent loan-to-dealer-cost (wholesale) ratio, 36-months

(4) Second mortgage loan, \$10,000, five years, loan-to-equity-value not greater than 75 percent

(5) Unsecured personal loans:

\$1000, 12-month

\$2000, 24-month

\$4000, 36-month

(6) MasterCard

(7) Visa

Data were also collected for the lowest and highest rates charged during the study week for loans to nondepositors and depositors. Data on the availability and rates for adjustable-rate new car loans, the number of points charged on second mortgage loans and annual fees, transaction charges and minimum deposits for bank credit cards were also collected.

A. Rates for New Automobile Loans

The Benchmark Rate

In the first week of May 1984, the most likely rate charged on a 48-month new auto loan by a commercial bank (according to the Federal Reserve G.19 Statistical Release) was 13.53 percent. Last year, our survey was done one month before the Fed reported a most likely rate of 13.90 for new auto loans (Exhibit 1). Thus, at the national level, average rates for new auto loans from banks fell about 40 basis points in the interval between our surveys.

The Most Likely Rate for Fixed Rate Loans - Illinois

Commercial Bank Rates. The modal "most likely" APR charged to nondepositors by commercial banks in Illinois during the survey week for a direct new auto loan of \$8000 with maturity of 48-months was 13.50 percent. The modal rate for a new auto loan from commercial banks to nondepositors last year was 14 percent. Rates charged by commercial banks in a market with no rate ceilings did follow the downward trend in market rates. The range of bank rates in Illinois was still very broad--from 10.80 percent to 19.87 percent.

Credit Unions. Credit union rates ranged from nine percent to 18 percent with a modal rate of 12 percent. The bulk of credit unions charged 12 percent or 15 percent. The homogeneity of credit union rates was evident in last year's survey as most credit unions in Illinois charged 12 or 15 percent for a new auto loan last year also.

Savings and Loan Associations. In the last two years, many savings and loan associations (S&Ls) have used their broader powers by increasing participation in consumer lending. This was not the case for our responding

associations in Illinois. Last year, 43 percent of S&Ls responding to our survey made new auto loans while only 48 percent of responding associations made new auto loans this year. The most likely rate charged by a savings and loan association for a fixed rate, new auto loan was 13 percent, with rates ranging from 11.83 percent to 15.17 percent.

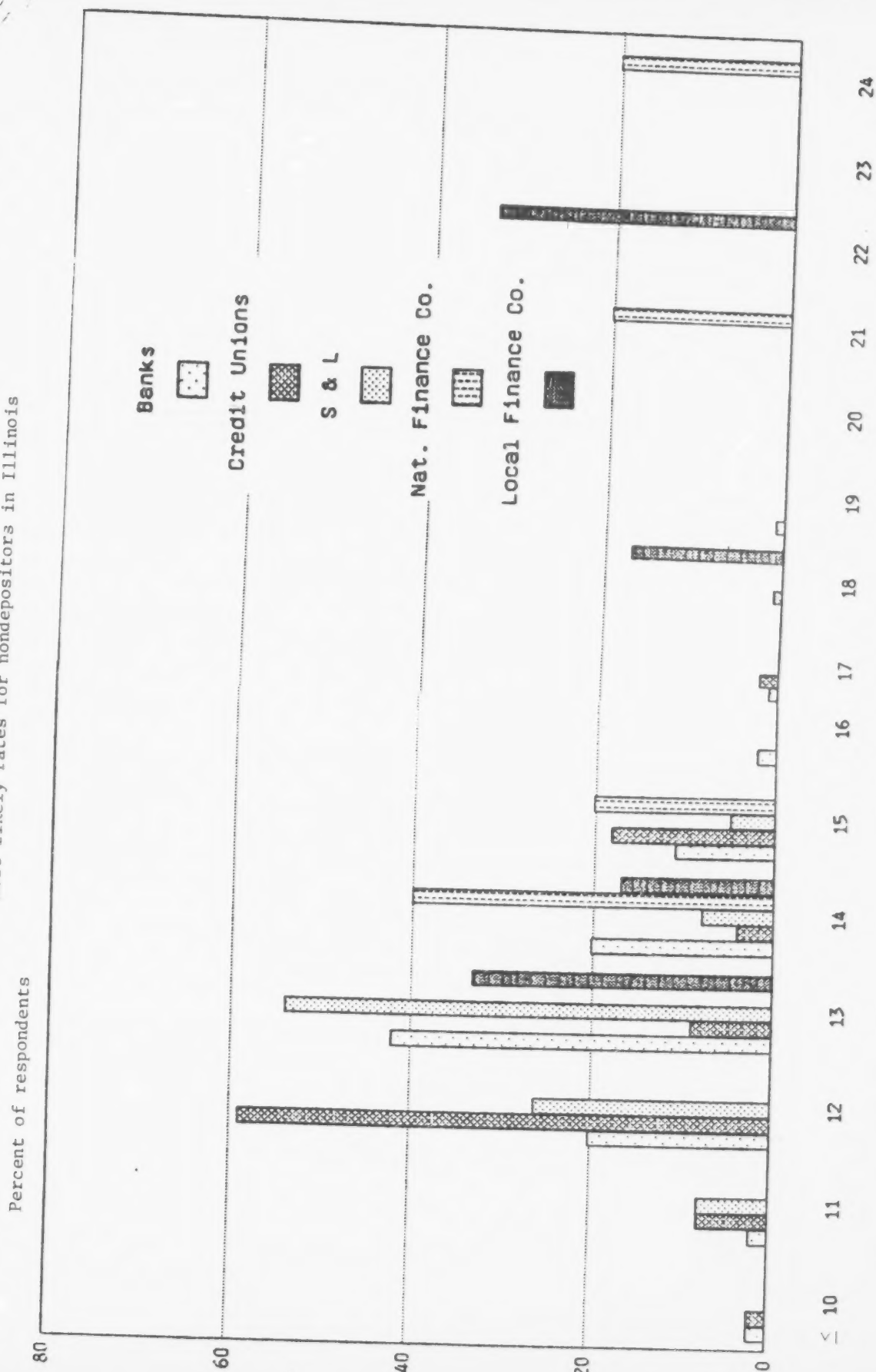
Finance Companies. Few of the responding finance companies offered loans for new automobiles. The rates offered by those making such loans ranged between 13.25 percent and 24 percent. The distribution of rates offered by finance companies was definitely bimodal for both national and local companies. This characteristic of the distribution may be attributed to differing strategies for finance companies. Some finance companies have continued to concentrate in the high-risk segment of the consumer market while others have pursued a more "bankable" lower-risk customer segment.

Financial Affiliates. The national average rate reported by auto finance companies making new car loans in April 1984 was 14.06 percent. The average rate charged by responding financial affiliates of auto manufacturers for indirect new auto loans during the study period was 14.37 percent in Illinois. No special promotion rates were being offered at the time of the survey.

The Market. The wide diversity of available rates in Illinois for fixed-rate loans for new automobiles is illustrated in a histogram showing the frequency distribution of most likely rates charged to nondepositors for fixed-rate new auto loans (Exhibit 4). The low-rate lender

FIXED-RATE NEW AUTO LOANS

Most likely rates for nondepositors in Illinois



was a credit union charging nine percent.¹ The high-rate lender was a national finance company charging 24 percent. The mode of rates charged by all lenders fell between 12 and 14 percent. The most likely rates offered by finance companies were generally well above those offered by banks, credit unions, and savings and loan associations, suggesting that some risk-segmentation of the market persists in a state that has been without rate ceilings for several years. However, the distribution of "highest" rates charged on a new auto loan shows considerable overlap of the prices charged by banks and national finance companies in Illinois to their marginal customers. The "highest rates" charged by banks during the week in question for fixed-rate new auto loans with maturity of 48 months and a loan-to-dealer-cost ratio of 85 percent ranged between 10.80 percent to 20 percent. For national finance companies, the "highest rates" for the same type of loan ranged from 14.50 percent to 28.25 percent.

Notes. None of the responding banks in Illinois offered new auto loans with maturities greater than 48 months. The most likely new auto loan for several banks had downpayment requirements greater than 15 percent of the dealer cost of the vehicle.

Most Likely Rate for Adjustable-Rate Loans - Illinois

In the six months before the survey, adjustable rate auto loans became increasingly common nationally. However, only seven percent of responding banks in Illinois offered adjustable rate auto loans to nondepositors. The modal rate for those loans was 13.50 percent with rates ranging from 11.50 percent to 15 percent. Nineteen percent of credit unions offered adjustable-rate loans for new autos with rates ranging from nine percent to 15 percent with a mode of 12 percent. Only two S&Ls in the respondent group offered adjustable rate new auto loans.

In Illinois, about 25 percent of responding banks offered special low rates to depositors for new auto loans. On average the most likely rates offered depositors for new auto loans were 18 basis points lower than those offered nondepositors.

Most Likely Rates for Fixed-Rate Loans - Arizona

The state of Arizona is sparsely populated relative to Illinois and the population is concentrated in several large and growing metropolitan areas. Statewide bank branching laws have contributed to an environment in which three banks hold more than 85 percent of deposits in Arizona.

Commercial Banks. Most likely rates for fixed-rate new auto loans from commercial banks to nondepositors ranged between 13 percent and 16 percent with a modal rate of 14.50 percent. The modal bank rate in Arizona last year was 15 percent. Again, as in Illinois, market pressure had depressed the modal rate for a new auto loan in a fairly concentrated bank market to reflect the national trend in consumer loan rates.

Credit Unions. Rates from credit unions were also relatively tightly distributed between 12 percent and 15 percent. Respondents were most likely to offer a rate of 12 percent. One year ago, 60 percent of credit unions in Arizona that responded to our survey offered new car loans at 15 percent. This one-year change in the modal rate for a new auto loan from a credit union represents a fairly dramatic drop of 300 basis points.

Savings and Loan Associations. Only two responding savings and loan associations in Arizona made new auto loans last year and the same was true this year. The rates charged were similar to rates charged by banks in Arizona.

Finance Companies. There were no local finance companies making new auto loans in Arizona that responded to our survey. However, national finance companies were quite active in that state. Last year only one national finance company made new auto loans, while this year six national finance companies were in the market with most likely rates ranging between 14.50 percent and 19.50 percent. The national finance companies appear to be aggressively pursuing "bankable" customers with rates below or equal to those offered by some commercial banks. This is a very interesting commentary on the nature of competition in Arizona where there are fairly strong barriers to entry for commercial banks (statewide branching; high concentration). National finance companies are apparently providing significant price competition for banks in Arizona for new auto loans.

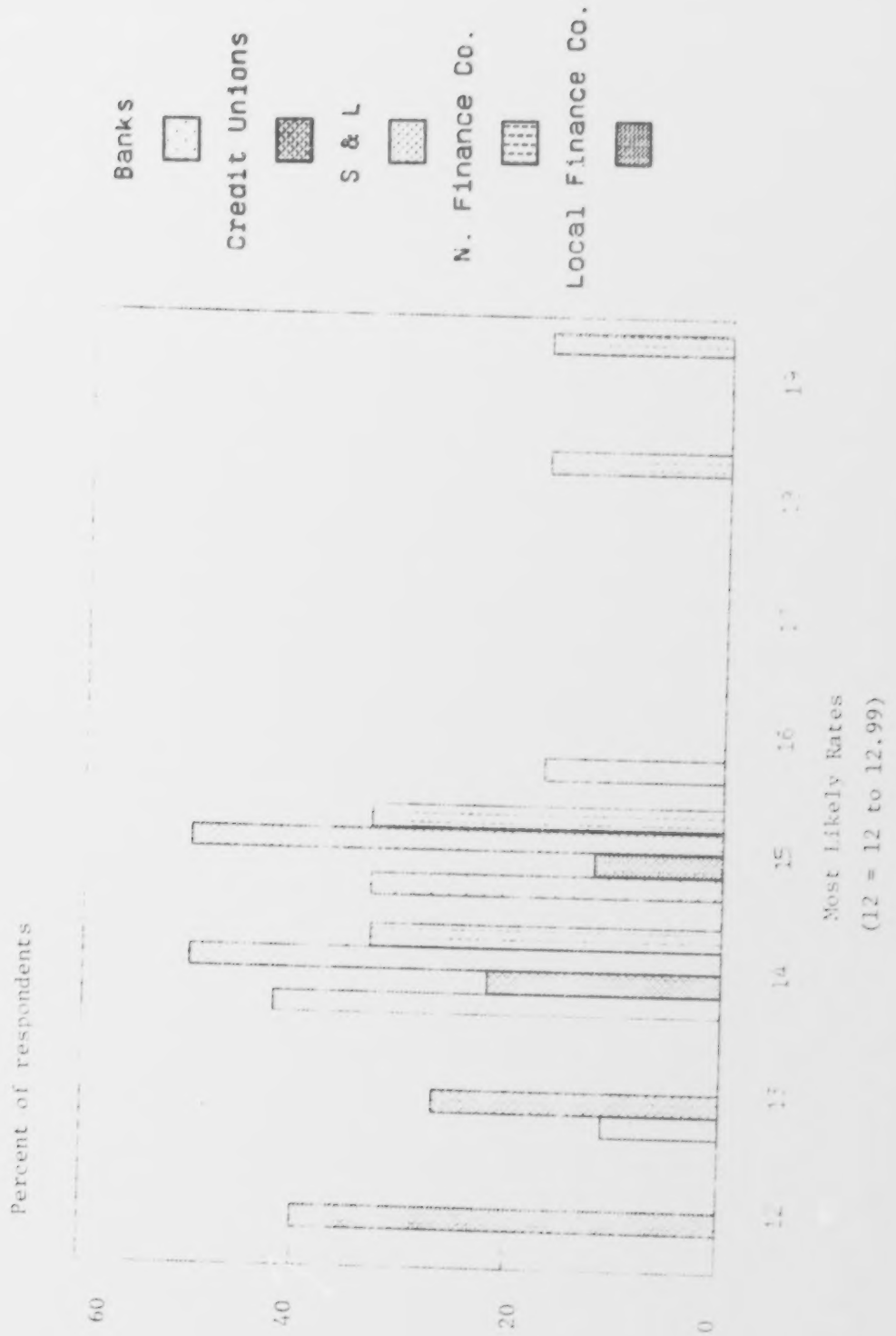
The Market. As was the case last year, the range of available rates for new auto loans was less broad in Arizona than in Illinois and the modal rate was higher. In fact, the range of rates for 1983 and 1984 were identical--12 percent to 19.50 percent (Exhibit 5). Noticeable differences from last year were the greater diversity of rates offered by national finance companies and the shift to lower rates by most responding credit unions. The "highest" rates offered by commercial banks for a new auto loan ranged between 14.50 percent and 17 percent. The "highest" rates offered by national finance companies ranged between 14.50 percent and 24 percent.

Financial Affiliates. The average rate for an indirect new auto loan financed by a responding financial affiliate of an auto manufacturer was 15.41 percent.

EXHIBIT 5

FIXED-RATE NEW AUTO LOANS

Most likely rate to nondepositors in Arizona



Notes. About one-fourth of responding banks offered different rates to depositors. The average rate offered depositors for a new auto loan was ten basis points lower than the average rate offered nondepositors by responding banks.

Most Likely Rates for Adjustable-Rate Loans - Arizona

Adjustable-rate loans were not widely available in Arizona. Only one bank offered such loans for new autos at the time of our survey. Ten percent of credit unions in Arizona offered adjustable-rate new auto loans.

B. Rates for Late Model Used Automobile Loans

Illinois

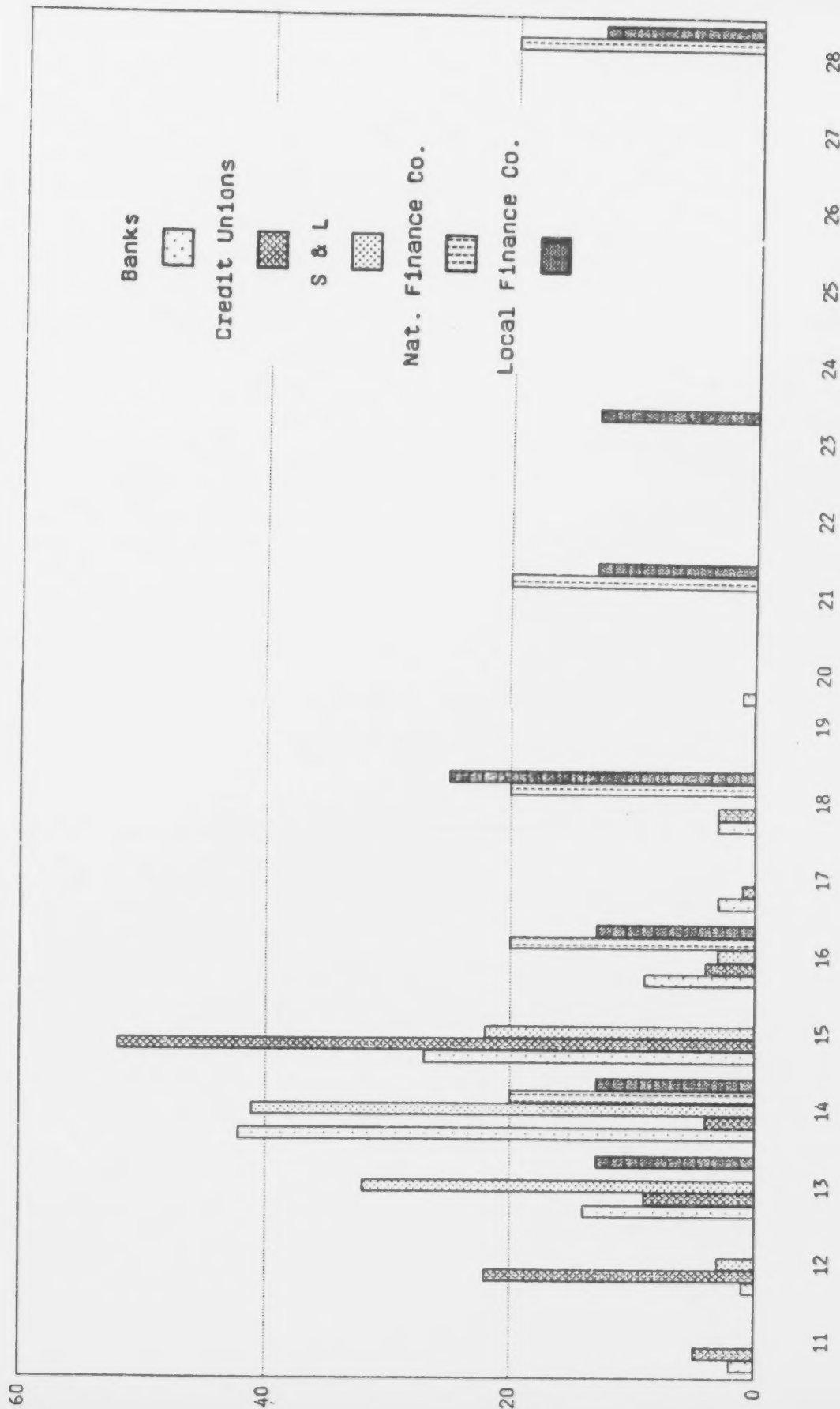
Rates for late model used car loans ranged from 11.90 percent to 31.5 percent with the most likely rate of 14.50 percent. The most likely rate charged by banks was 14.50 percent; by credit unions, 15 percent; and savings and loan associations, 14 percent. Rates of local finance companies ranged between 13.75 percent and 28.90 percent with the most likely rate of 18 percent. Finally, national finance companies' most likely rates ranged from 14.99 percent to 31.50 percent. There was no modal finance company rate. The average rate for indirect late model auto loans offered by financial affiliates of manufacturers was 17.68 percent. The distribution of rates for loans for late model, used cars differed most notably from last year's results in terms of the rates charged by finance companies (Exhibit 6). Both independent and national finance companies in Illinois were offering rates that were more competitive with those of banks, credit unions and savings and loan associations.

EXHIBIT 6

FIXED-RATE LATE MODEL USED AUTO LOANS

Most likely rates for nondepositors in Illinois

Percent of respondents



Availability of loans is sometimes as important to a shopper as the rate charged. The percentages of each type of lender offering late model used auto loans in 1984 were as follows:

Banks	69%
S&Ls	48
Credit unions	80
Local finance companies	45
National finance companies	31

Arizona

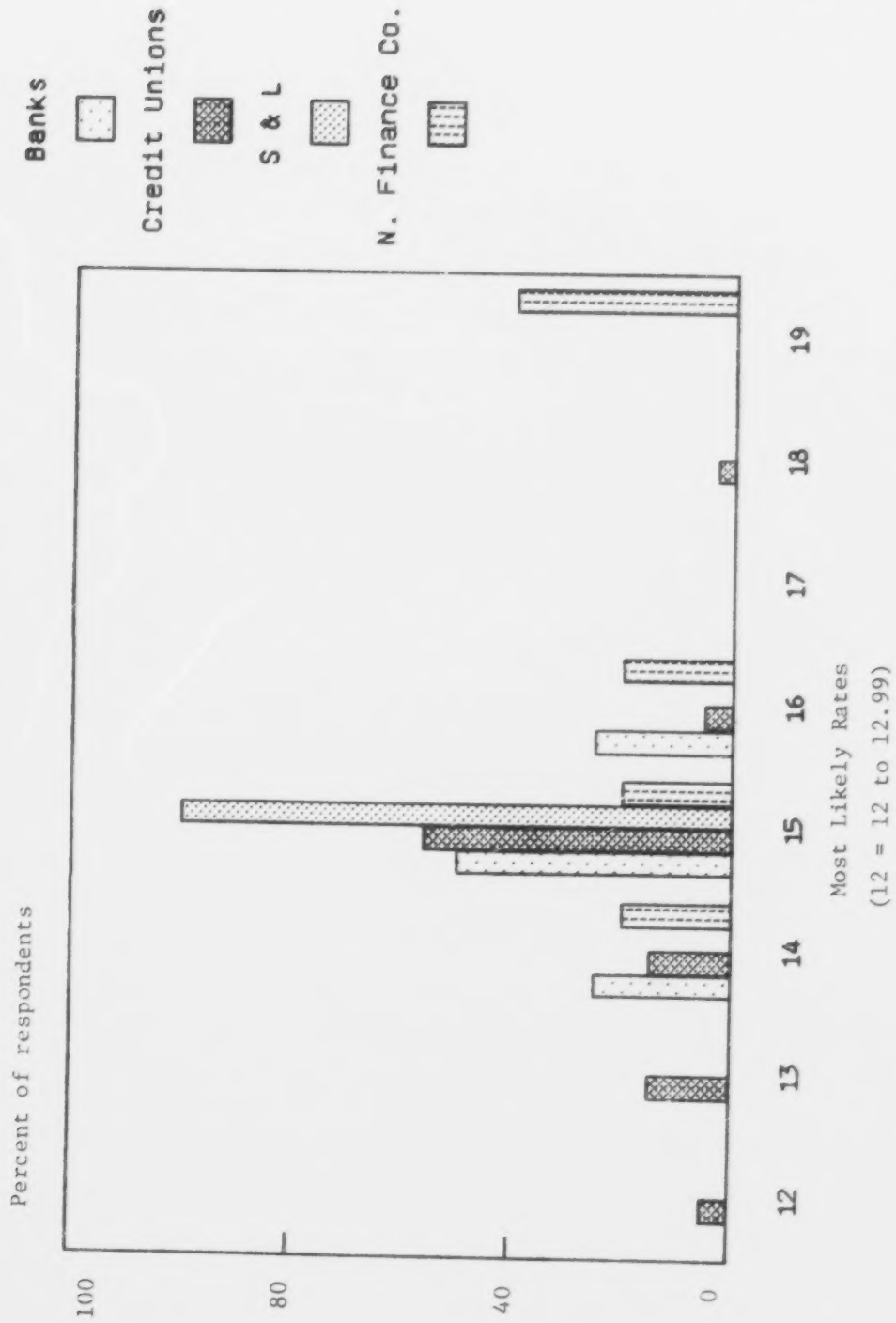
Rates for late model used cars in Arizona ranged from 12 percent (credit union) to 19.50 percent (national finance company) with the most frequently specified rate of 15 percent (Exhibit 7). Rates from banks were narrowly distributed from 14 percent to 16.50 percent while rates on credit union contracts ranged between 12 percent and 18 percent. The average rate for indirect loan contracts from financial affiliates was 17.9 percent.

The most noticeable change in this year's distribution relative to the distribution of rates collected one year ago reflects the activities of national finance companies in the late model used car market. Last year only 13 percent of responding national finance companies offered late model used car loans while one-third made those loans this year. Finance company rates ranged from 14.99 percent to 19.50 percent. Last year the distribution of rates was more segmented, with finance companies offering rates higher than almost all other competitors. This year, several finance companies offered rates competitive with those of banks, credit unions and savings and loan associations.

EXHIBIT 7

FIXED-RATE LATE MODEL USED AUTO LOANS

Most likely rates for nondepositors in Arizona



Most lenders participated in the market for late model used car loans with fixed rates in Arizona.

Banks	79%
S&Ls	50
Credit unions	91
National finance companies	36

C. Rates for Older Model Used Automobile Loans

Illinois

All five of the types of lenders surveyed provided financing for older model used automobiles. Most likely rates ranged from 9.17 percent to 35.99 percent with a mode of 15 percent (Exhibit 8). Rates charged by banks ranged from 11.96 percent to 20.87 percent with the mode of the distribution at 15 percent. Credit union rates ranged from 9.17 percent to 19 percent with a mode also of 12 percent. Savings and loan associations charged between 12.75 percent and 17.92 percent with a mode of 14 percent. National finance companies' rates ranged from 16.90 percent to 35 percent with a mode of 21 percent. Local finance company rates ranged from 14 percent to 30 with no modal rate. The average rate charged on indirect contracts from financial affiliates was 21 percent.

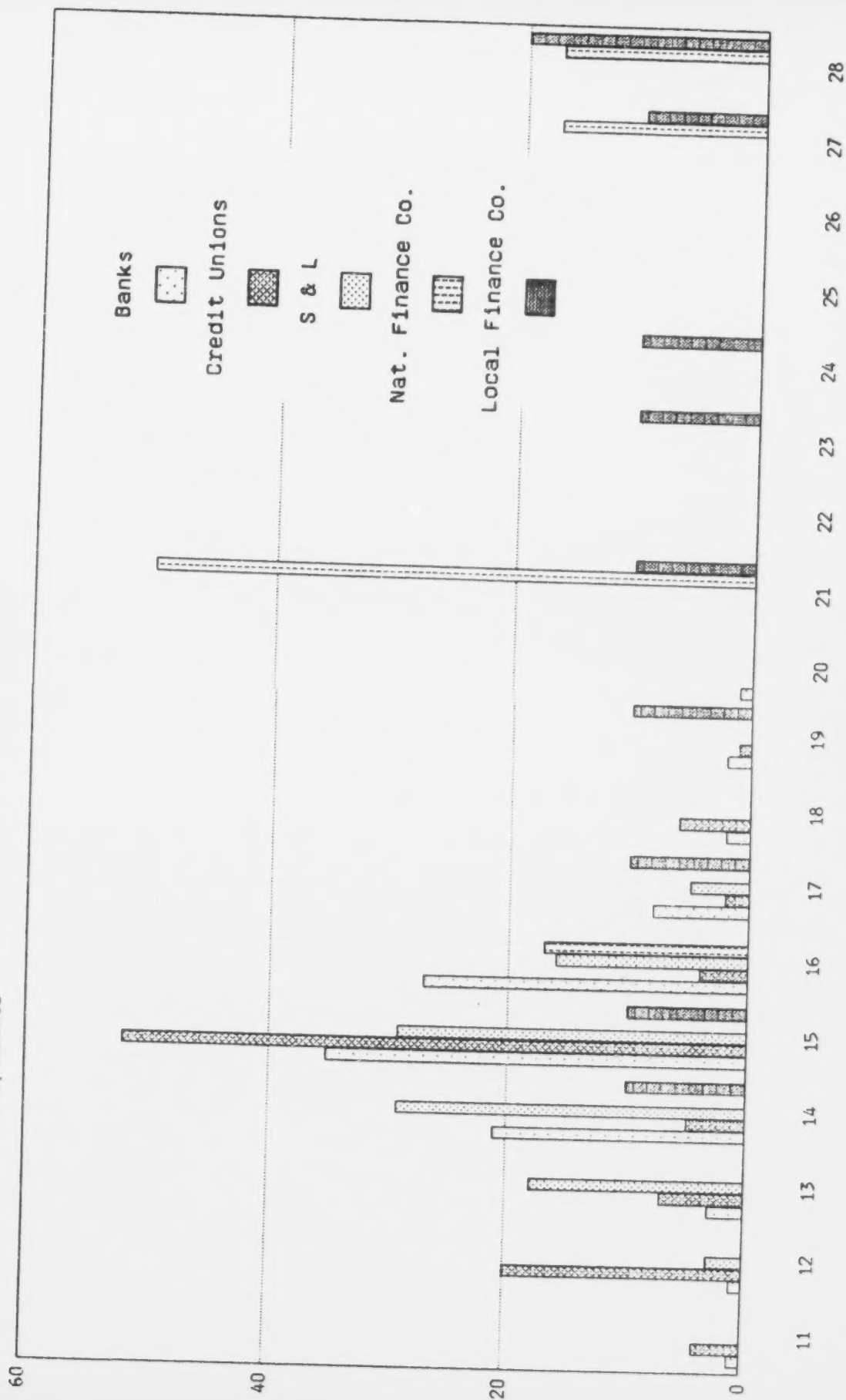
As was the case for late model, used car loans, finance companies appear to be offering more price competition this year relative to last year. Four of the six finance companies making older model used car loans charged rates at or below 21 percent.

EXHIBIT 8

FIXED-RATE OLDER MODEL USED AUTO LOANS

Most likely rates for nondepositors in Illinois

Percent of respondents



Most lenders provided older model used car loans which are relatively high risk loans although they are secured. The percent of each lender type providing older model used car loans was:

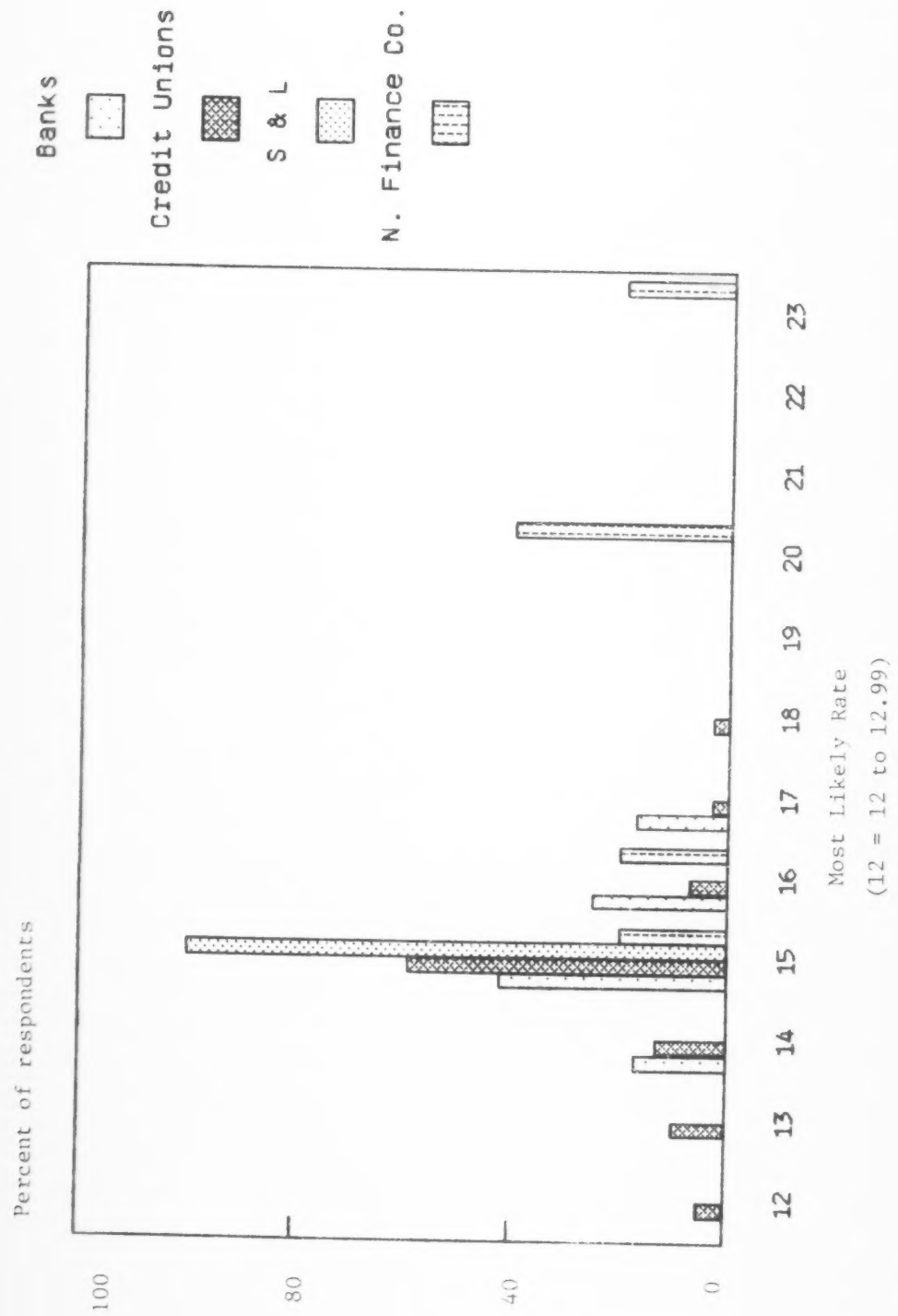
Banks	77%
Credit unions	80
S&Ls	48
Local finance companies	56
National finance companies	38

Arizona

Rates for older model, used car loans in Arizona ranged from 12 percent (credit unions) to 23 percent (national finance companies) (Exhibit 9.) Bank rates ranged from 14.50 percent to 17 percent with a most likely rate of 15 percent. Rates from credit unions ranged from 12 percent to 18 percent with a most likely rate of 15 percent. National finance companies offered rates ranging from 15 percent to 23 percent with a most likely rate of 20 percent. The average rate on indirect contracts on older model used cars financed through manufacturers affiliates was 19.03 percent.

The overlap in rates offered by the various types of lenders is in sharp contrast to the segmented market of last year. Again, the source of change is the lower rates offered by some national finance companies. As shown in Exhibit 9, most likely rates offered by some finance companies are lower than most likely rates offered by some banks and credit unions.

EXHIBIT 9
 FIXED-RATE OLDER MODEL USED AUTO LOANS
 Most likely rates for nondepositors in Arizona



Credit unions were less likely to offer loans for older model used cars than they were to offer loans for late model used cars. Otherwise, the participation by lenders in this market was about the same as their participation in the market for late model used cars.

Banks	79%
Credit unions	43
S&Ls	50
National finance companies	36

D. Rates for Unsecured Personal Loans

Illinois

Rates for unsecured personal loans of \$1000 for 12 months and \$2000 for 24 months ranged from eight percent to 36 percent with the most likely rate ranging from 15 percent to 16.90 percent (Exhibits 10 and 11). Bank rates ranged from 12 percent to 25 percent. Credit union rates ranged from eight percent to 25 percent. Rates from local and national finance companies ranged from 15 percent to 36 percent. Rates offered by savings and loan associations ranged from 13 percent to 20.50 percent. The market for small unsecured loans in Illinois is still segmented by risk, with most finance companies generally charging rates higher than those available from other lender types.

Except for savings and loan associations, most lender types did offer small unsecured personal loans (\$1000, 12-month) in Illinois. (It is probably the case that the 25 percent of banks that did not offer these loans did provide credit card accounts.) Banks and credit unions were less

EXHIBIT 10

UNSECURED PERSONAL LOAN - \$1000, 12-MONTHS
MOST LIKELY RATES - ILLINOIS

Percent of respondents

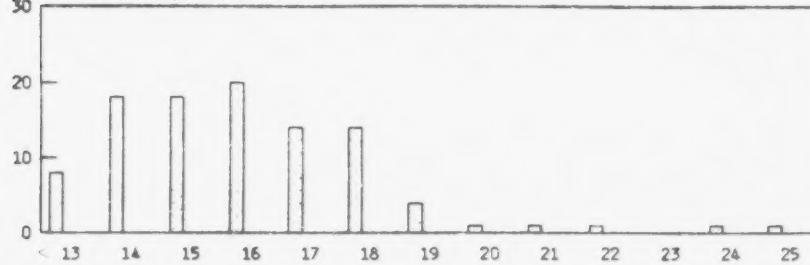
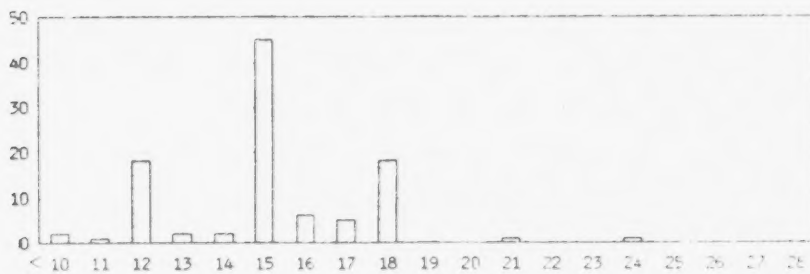
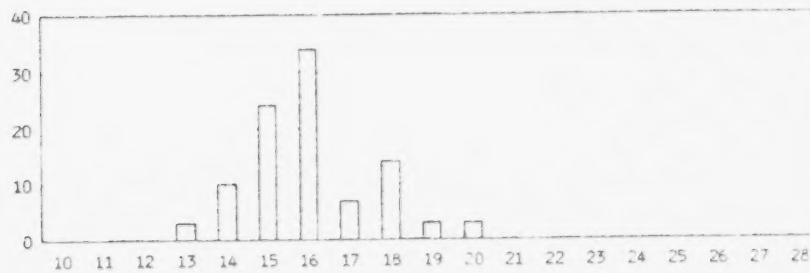
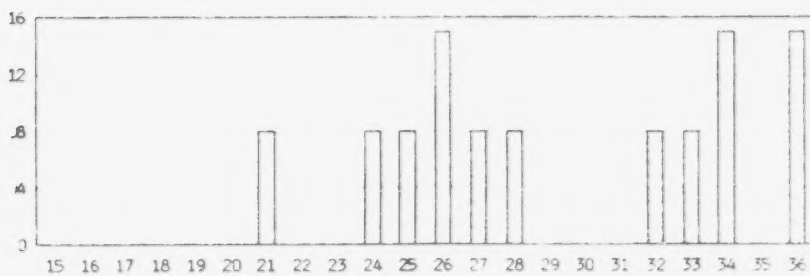
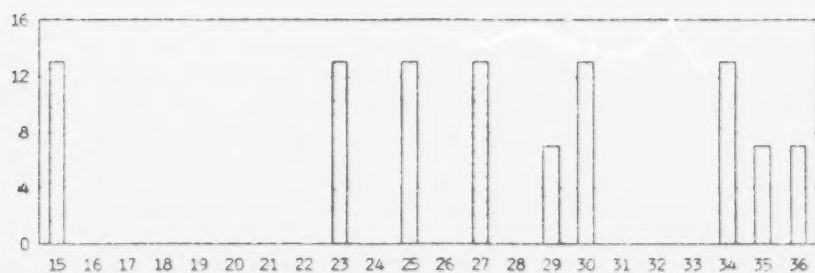
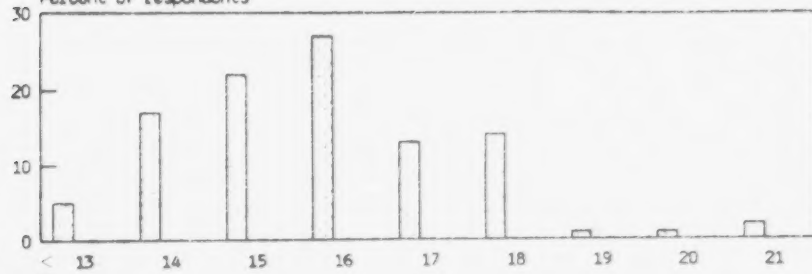
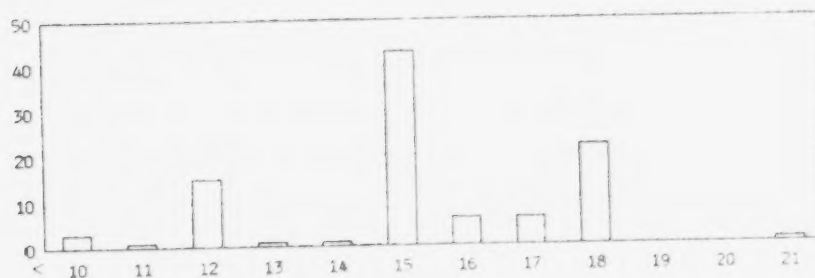
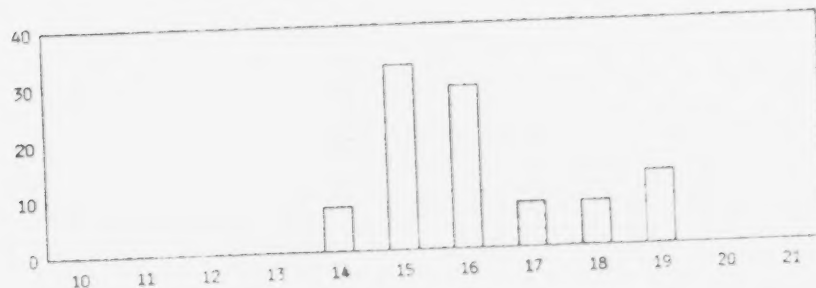
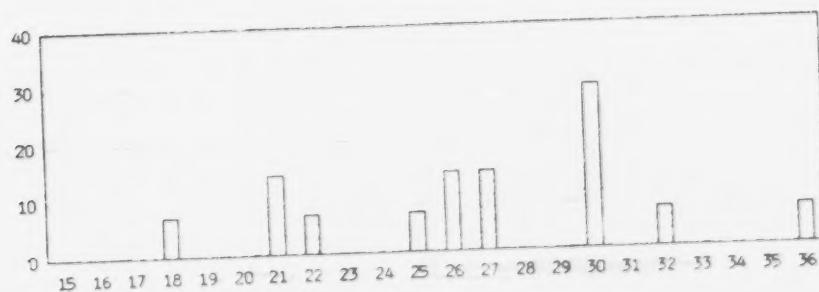
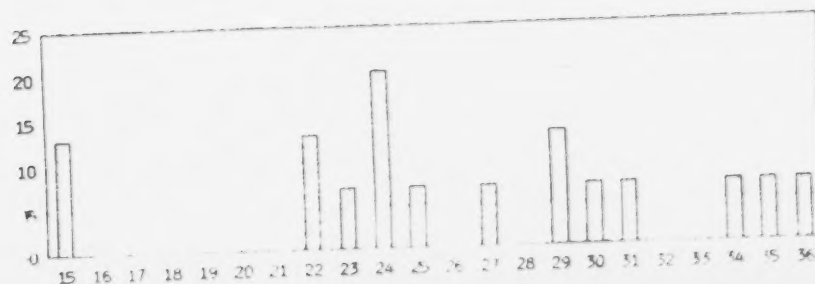
Commercial
banksCredit
unionsSavings and
loanNational
finance
companiesLocal finance
companies

EXHIBIT 11

UNSECURED PERSONAL LOAN - \$2000, 24-MONTHS
MOST LIKELY RATES - ILLINOIS

Percent of respondents

Commercial
banksCredit
unionsSavings and
loanNational
finance
companiesLocal finance
companies

likely to offer small unsecured loans than auto loans. Historically, small unsecured personal loans were the specialty of finance companies, and we found that more finance companies made these loans relative to the auto loans already discussed.

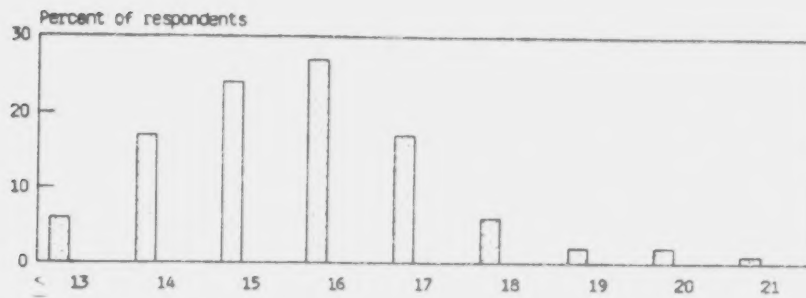
The market for \$4000, 36-month unsecured personal loans differed considerably from that for the smaller loans (Exhibit 12). The range of available rates was more narrow (8.75 percent to 33.25 percent) and there was more overlap in rates offered by finance companies and other lenders. This overlap in rates was more evident this year than to last year.

Banks, credit unions and independent finance companies were much less likely to offer the \$4000 unsecured loan than the \$1000 loan. The participation rates for the \$4000 loan are:

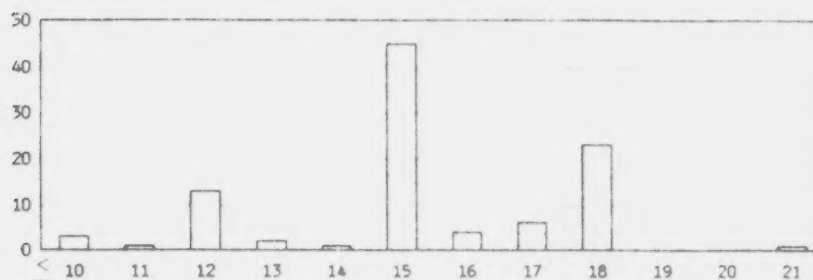
	<u>\$1000, \$2000 Unsecured</u>	<u>\$4000-36 mo. Unsecured</u>
Banks	72%	57%
Credit unions	86	46
S&Ls	45	25
National finance companies	83	94
Local finance companies	83	50

EXHIBIT 12

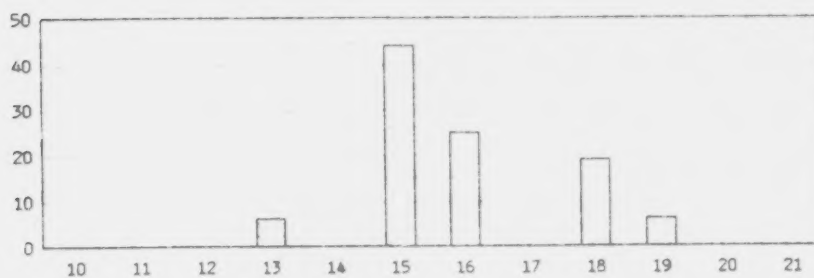
UNSECURED PERSONAL LOAN - \$4000, 36-MONTHS
MOST LIKELY RATES - ILLINOIS



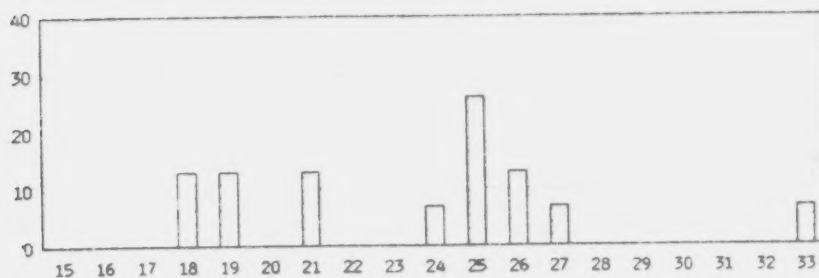
Commercial
banks



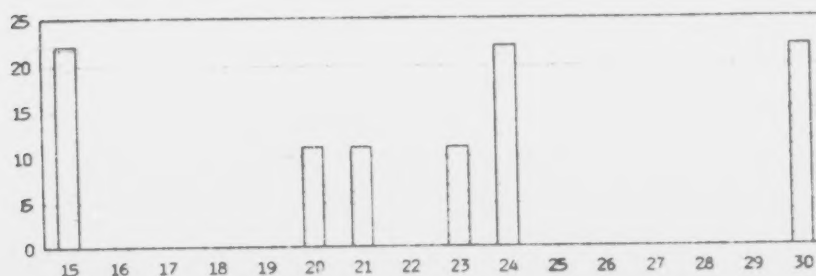
Credit
unions



Savings and
loans



National
finance
companies



Local finance
companies

Arizona

The competitive conditions in the market for unsecured personal loans in Arizona appear to have changed dramatically in the last year. The rather sharp segmentation of rates of last year was less evident this year, especially for the large unsecured loans (Exhibits 13, 14 and 15). The highest "most likely" rate charged by finance companies responding to the survey was 32 percent, 23 percent and 19.9 percent for the \$1000, \$2000, and \$4000 loans. Last year, the highest "most likely" rates were 30 percent, 27 percent and 24 percent, respectively.²

The participation rates for the various types of lenders in the unsecured personal loan market were as follows:

	<u>\$1000-12 mo.</u>	<u>\$2000-24 mo.</u>	<u>\$4000-36 mo.</u>
Banks	86%	79%	50%
Credit unions	96	83	72
Savings & loan associations	75	75	75
National finance companies	79	79	86
Local finance companies	100	100	100

E. Rates for Second Mortgage Loans

Illinois

Rates for second mortgage loans of \$10,000 with maturities of five to eight years to nondepositors ranged between 12 percent and 24.90 percent in Illinois (Exhibit 16). Banks charged rates ranging between 12 percent and 18.9 percent with the modal rate falling between 14 and 14.99 percent. Rates from savings and loan associations ranged between 12 and 16.90 percent with a most common rate between 14 and 14.99 percent.

EXHIBIT 13

UNSECURED PERSONAL LOANS--\$1000, 12 MONTH

Most likely rates in Arizona

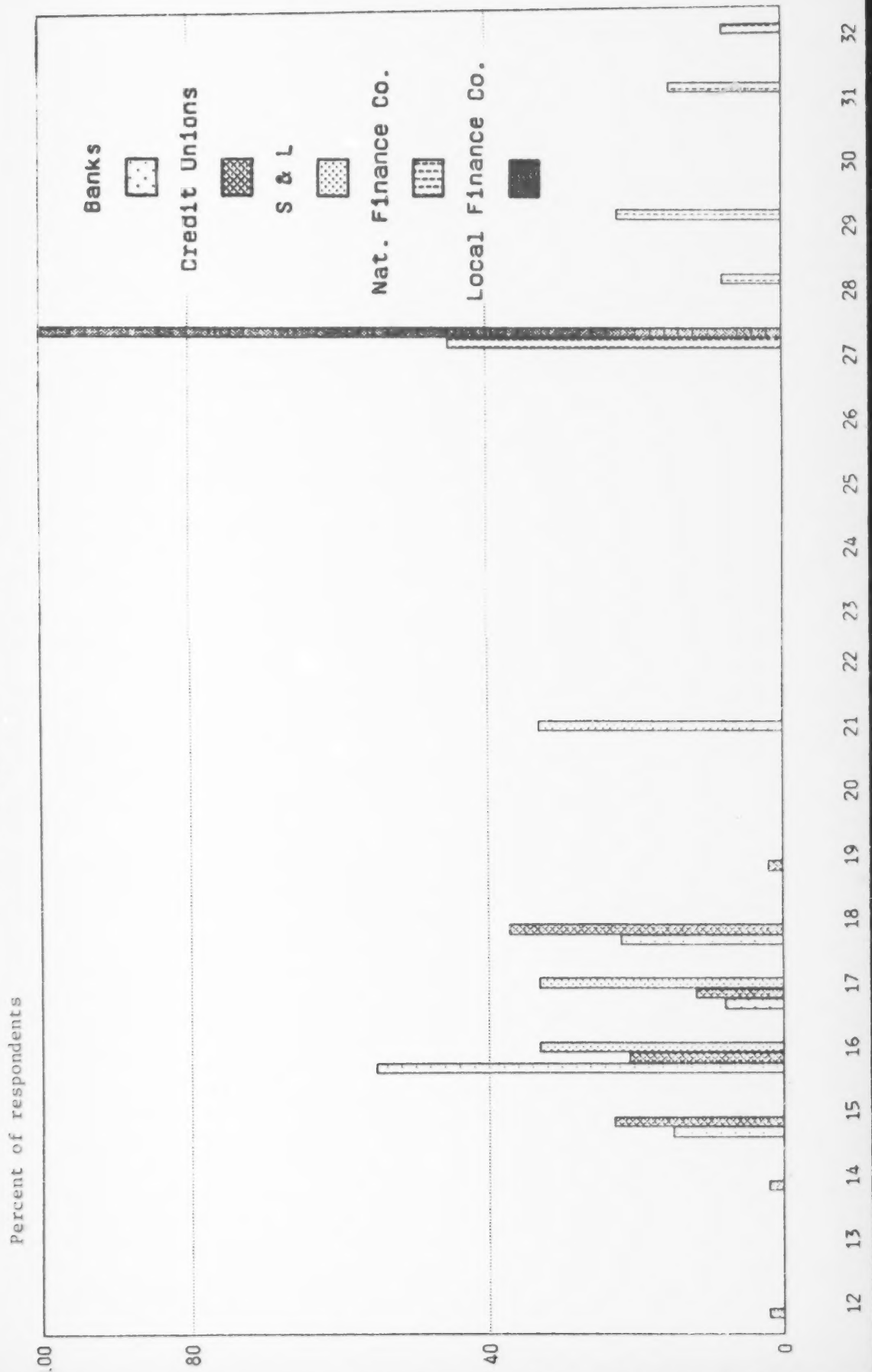
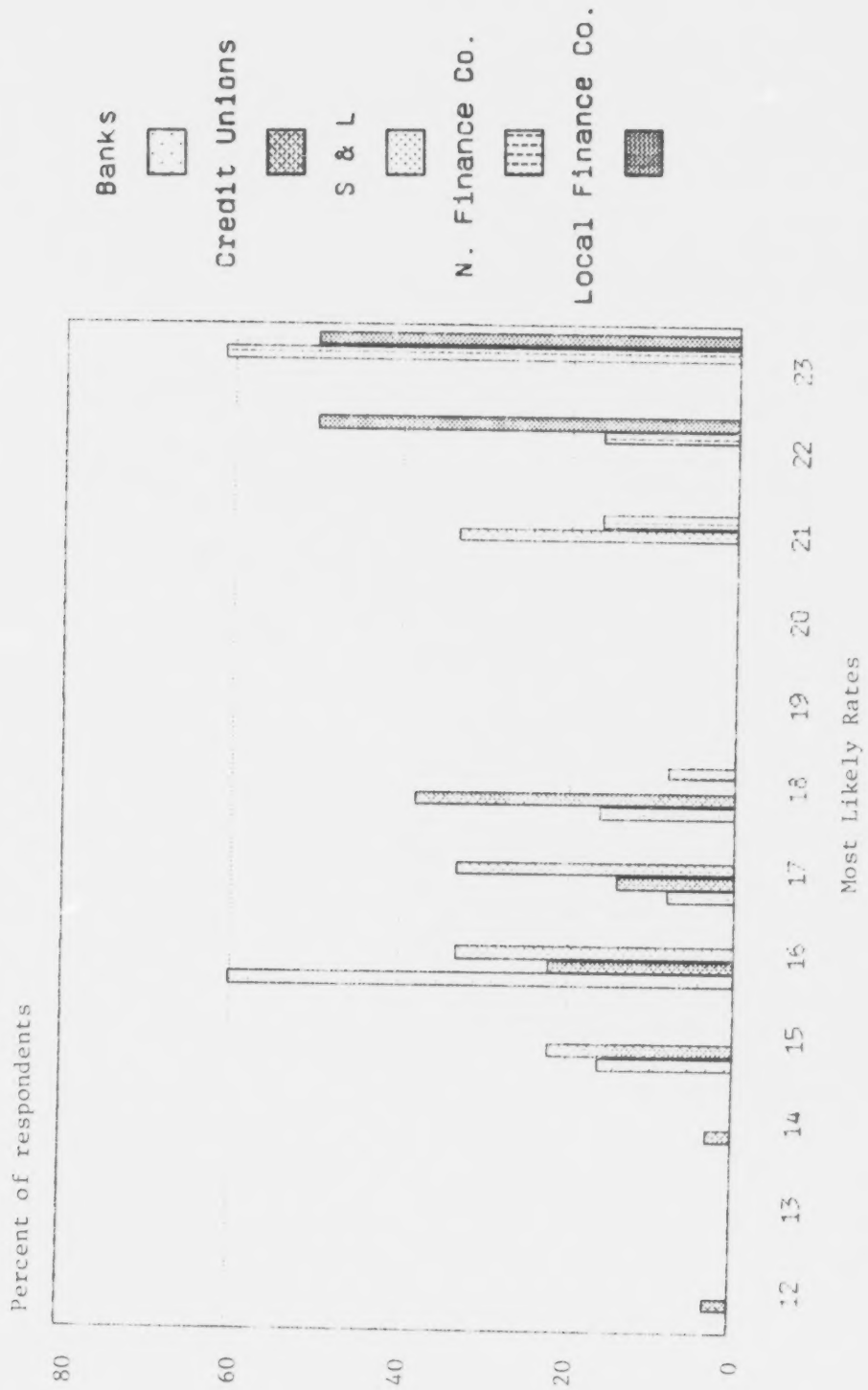


EXHIBIT 14

UNSECURED PERSONAL LOANS--\$2000, 24-MONTH

Most likely rates in Arizona



(13 = 13 to 13.99)

EXHIBIT 15

UNSECURED PERSONAL LOANS--\$4,000, 36-MONTH

Most likely rates in Arizona

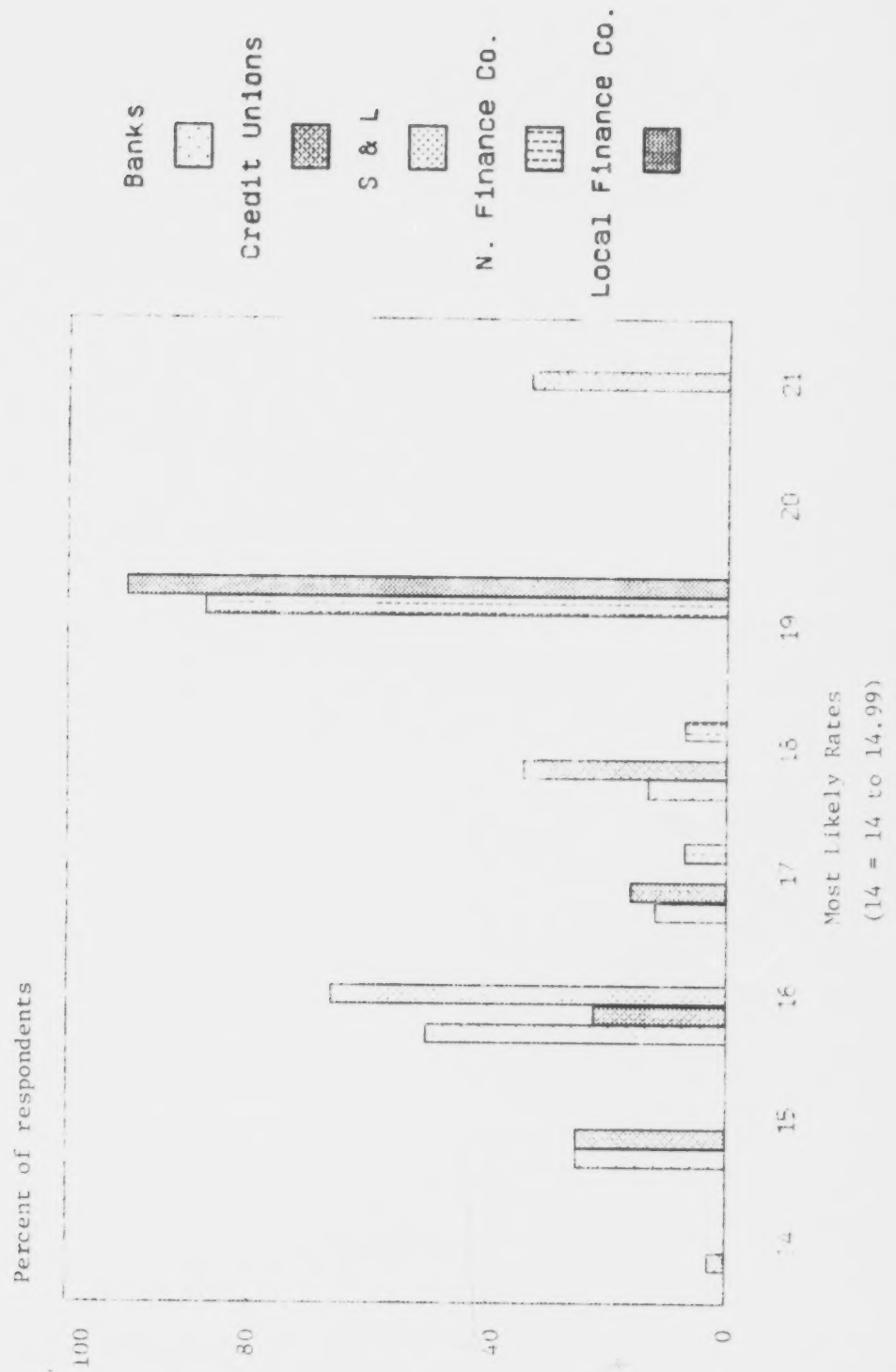
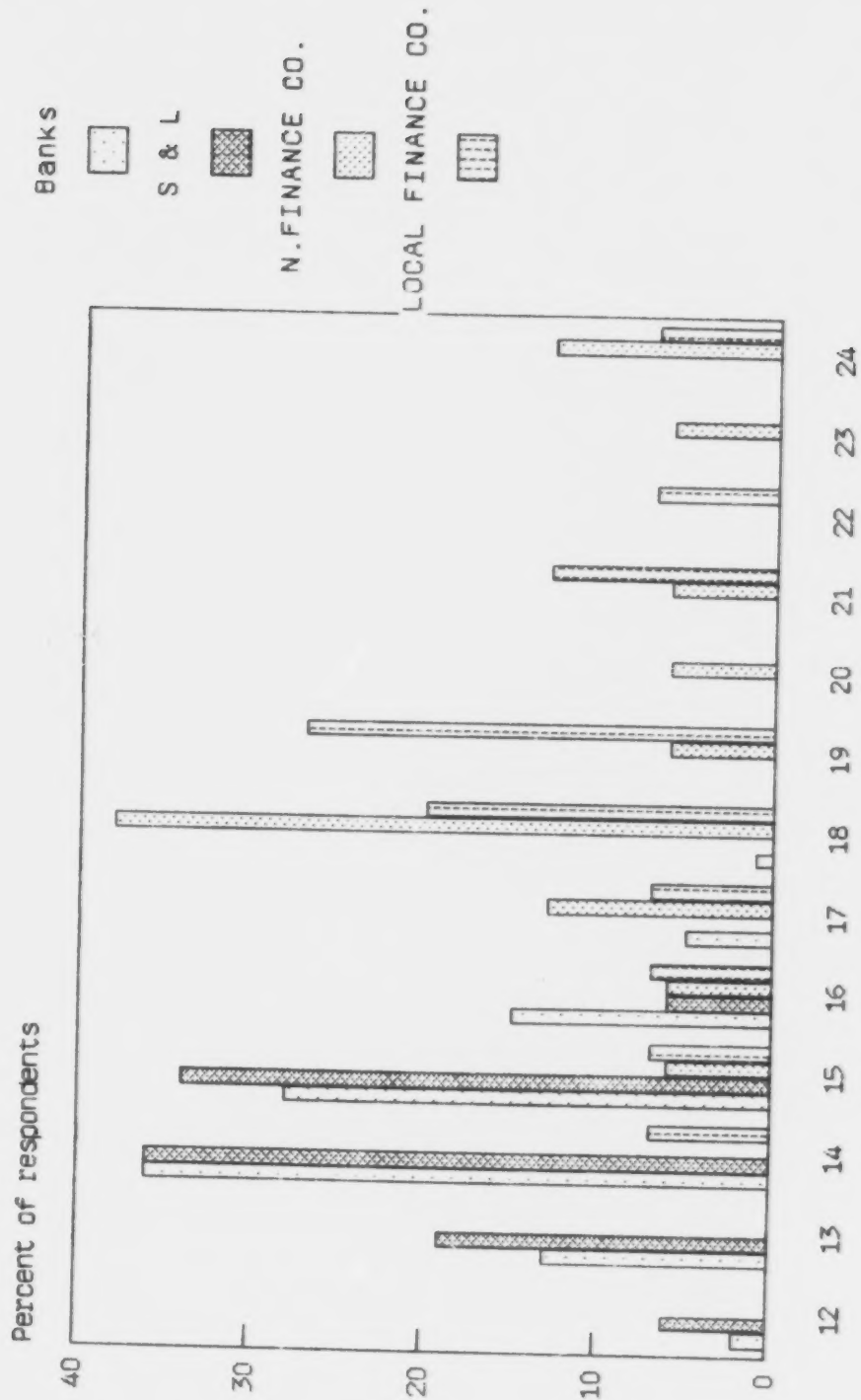


EXHIBIT 16

SECOND MORTGAGE LOANS--\$10,000, 5 YEARS

Most likely rates to nondepositors in Illinois



Most Likely Rate

(12 = 12 to 12.99)

All of the responding national finance companies in Illinois made second mortgage loans with rates ranging between 15 percent and 24.99 percent and the most likely rate at 18 percent. Rates from local finance companies ranged from 14 to 24.99 percent with the most likely rate at 19 to 19.99 percent.

Most likely rates charged by national finance companies for a \$15,000 second mortgage with maturity of eight years were also collected. The most likely rate charged was 18 percent with rates ranging from 15 percent to 19 percent. Rates charged by local finance companies ranged from 14 percent to 19 percent with a modal rate of 18 percent.

Arizona

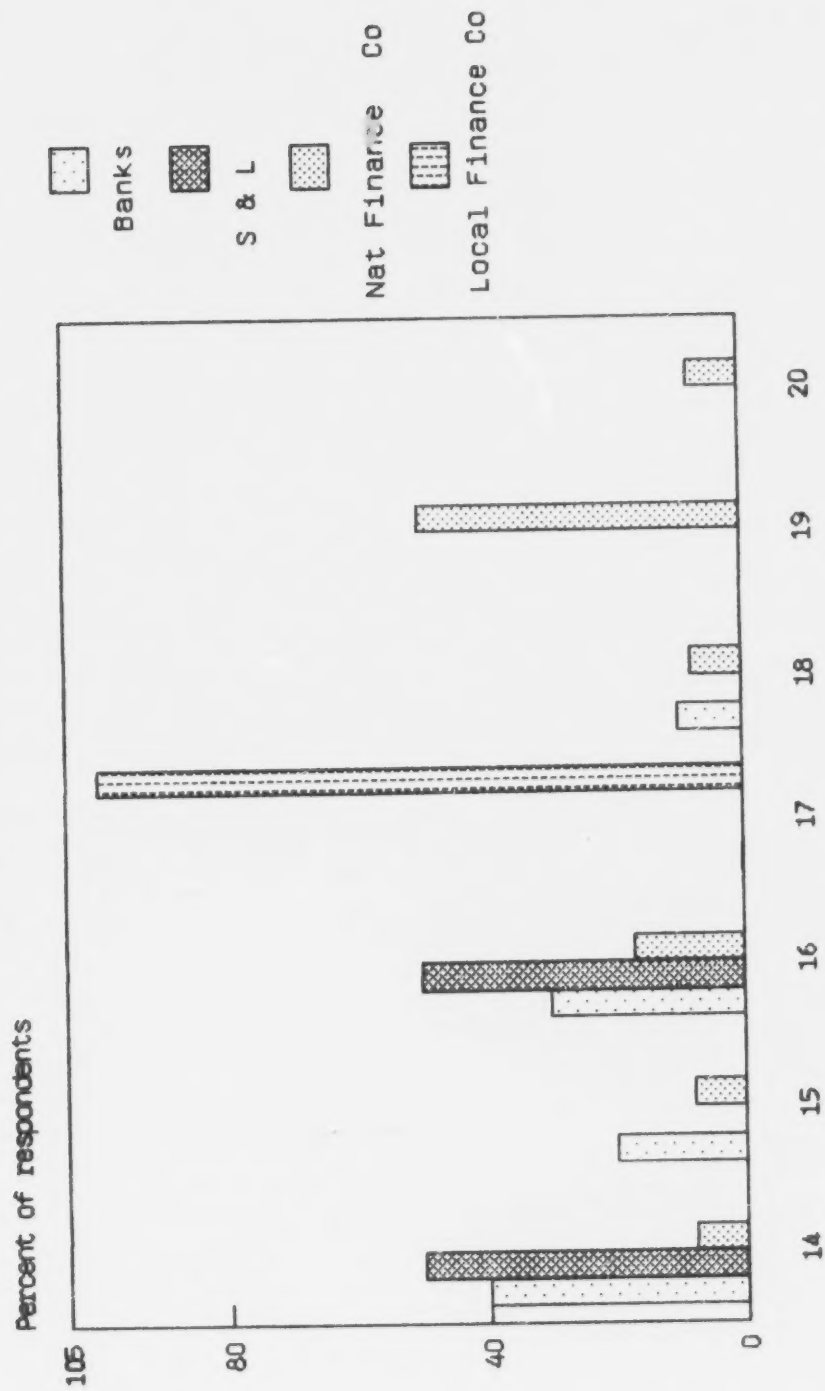
Rates for second mortgage loans of \$10,000 in Arizona ranged between 12.90 percent and 20.90 percent (Exhibit 17). Rates from banks ranged between 14 percent and 18.90 percent; from 12.90 percent to 16 percent for credit unions; and between 14 and 20.99 percent for national finance companies. Independent finance companies offered second mortgage loans at a most likely rate of 16.9 percent. All the lender types serving the market appeared to be offering very competitive prices, and there was no apparent risk segmentation among lenders.

Rates for \$15,000 second-mortgage loans from national finance companies ranged between 14 percent and 19 percent with a modal rate of 19 percent.

EXHIBIT 17

SECOND MORTGAGE LOANS--\$10,000, 5 YEARS

Most likely rates in Arizona



F. Revolving Credit

Unsecured lines of credit were one of the fastest growing types of credit in early 1984 (Exhibit 18). Not only do consumers enjoy great flexibility with regard to having and using those credit lines but the product is very efficient to administer relative to unsecured personal loans.

Bankcard Credit

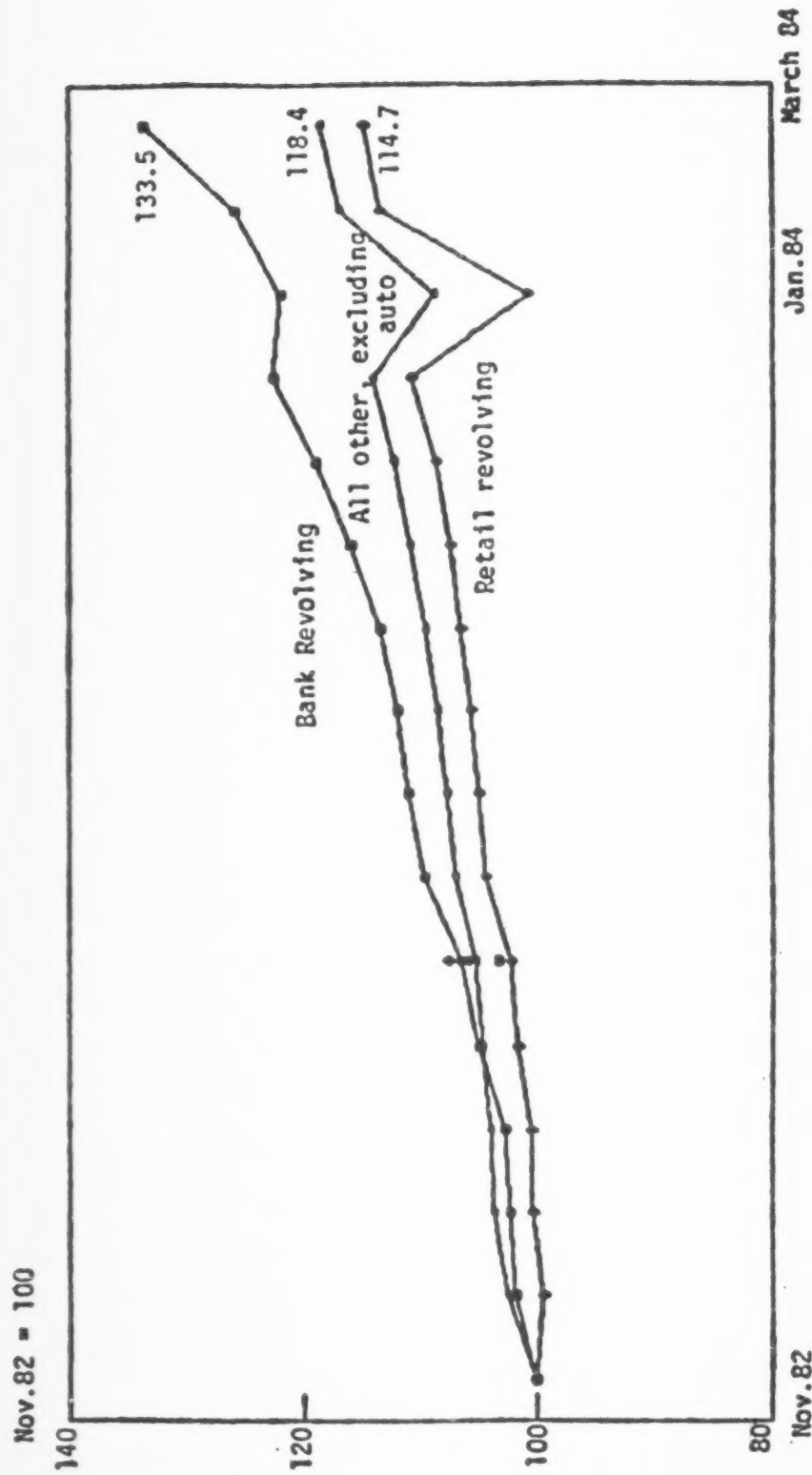
The Federal Reserve Board reported that the most common rate charged on bankcard accounts by commercial banks during the first week of February was 18.73 percent. That rate fell to 18.71 percent in the first week of May.

Illinois. In Illinois, about 29 percent of the responding banks offered Visa or MasterCard (Exhibit 19). Most offered both cards. Rates for MasterCard ranged from 17 percent to 22 percent with a modal rate of 18 percent and an average rate of 19.46 percent. Sixty-two percent of banks offering the MasterCard charged an annual fee ranging from \$10 to \$30.

Rates for Visa also ranged from 17 percent to 22 percent with a modal of 18 percent and an average of 19.57 percent. Fifty-eight percent of banks offering the Visa card charged an annual fee ranging from \$10 to \$30.

Savings and loan associations in Illinois that offered credit cards (eight) charged rates ranging from 16 percent to 22 percent with an average rate of 19.40 percent. Credit unions offered the lowest rates for cards. Only two credit unions offered a MasterCard while seven offered a Visa. The average rate charged on these accounts was 17.63 percent with rates ranging from 16.08 percent to 17.80 percent. Both savings and loan

EXHIBIT 18
GROWTH IN NONAUTOMOBILE CONSUMER CREDIT OUTSTANDING
SEASONALLY ADJUSTED



SOURCE: Consumer Trends, July 1984

EXHIBIT 19

BANKCARD PRICING

<u>MasterCard</u>	<u>Illinois</u>			<u>Arizona</u>		
	<u>Banks</u>	<u>Credit Unions</u>	<u>Savings And Loan</u>	<u>Banks</u>	<u>Credit Unions</u>	<u>Savings And Loan</u>
<u>APR</u>						
Mode	18	--	--	21	18	--
Number	61	2	7	7	3	1
Minimum	17	16.08	16	18	18	21
Maximum	22	17.80	22	21	18	21
<u>Annual fee</u>						
Number	38	0	1	2	1	0
Minimum	10	--	15	15	5	--
Maximum	30	--	15	15	--	--
<u>Visa</u>						
Mode	18	--	--	21	--	--
Number	62	5	8	4	7	2
Minimum	17	17.50	16	21	18	21
Maximum	22	18.00	22	21	19	21
<u>Annual fee</u>						
Number	36	1	2	2	0	0
Minimum	10	10	15	15		
Maximum	30	10	15	15	--	--

associations and credit unions were less likely, relative to banks, to charge an annual fee for the credit card, although they may have had a minimum deposit requirement.

Arizona. In Arizona, 79 percent of responding banks offered Visa or MasterCard. (Banks in Arizona were more likely to offer only one of the cards than were banks in Illinois.) Rates ranged from 18 percent to 21 percent for both cards with a modal rate of 21 percent. Only 25 percent of banks offering MasterCard charged an annual fee, while two of the four banks offering Visa charged an annual fee.

Savings and loan associations in Arizona that offered credit cards (three) charged 21 percent for the credit line. The most likely rate charged by credit unions offering the cards was 18 percent.

Retail Revolving Credit

A small sample of national retail chains and local retailers who offered in-house credit plans was included in the study. Most of the respondents were department stores.

The average rates charged by the national retailers for revolving credit were 20.50 percent and 20.40 percent respectively in Illinois and Arizona with rates ranging from 18 percent to almost 24 percent in Illinois and ranging up to 21.60 percent in Arizona (Exhibit 20). In all cases, these rates were competitive with those of bank credit cards, especially in light of the fact that retail cards typically do not involve annual fees.

The independent retailers in Illinois offered an average rate for revolving accounts of 18.12 percent with rates ranging from 12 percent to 21.60 percent. Only two independent retailers in Arizona responded to our survey. Their rates were 18 percent and 24 percent.

EXHIBIT 20

RETAIL REVOLVING CREDIT

	<u>Illinois</u>		<u>Arizona</u>	
	<u>National Chain</u>	<u>Local</u>	<u>National Chain</u>	<u>Local</u>
Number	11	10	8	2
Avg. rate	20.50	18.12	20.40	21.00
Minimum	18.00	12.00	18.00	18.00
Maximum	23.94	21.60	21.60	24.00

III. EVIDENCE OF THE RELATIONSHIP BETWEEN BANK STRUCTURE AND RATES FOR CREDIT

Commercial Bank Rates

The states of Illinois and Arizona were selected for our study because the two states differ so dramatically in terms of bank structure. Until recently, Illinois was a unit banking state with about 1400 banks and a very low bank concentration measure. Arizona has statewide branching and a very concentrated banking structure.

Last year the average rates charged nondepositors by banks for fixed-rate loans differed significantly in the two states for five of the eight types of consumer loans analyzed [1, p. 63]. We attributed this result largely to the difference in bank structure in the two states. Greater concentration of banking in a state has historically been associated with higher average consumer loan rates [2].

The average rates charged by banks to nondepositors for fixed-rate loans in 1984 are shown in Exhibit 21.³ Only the rates for new auto loans were significantly higher in Arizona than rates for similar loans in Illinois. This shows a dramatic change from last year's schedule of rates from banks in the two states. In fact, calculation of the change in average rates charged for bank loans in the two states revealed that average bank rates have dropped by margins of 61 basis points up to 129 basis points in Arizona while the maximum drop in average bank rates in Illinois was 50 basis points. The average rates for unsecured personal loans from banks were higher this year than last year in Illinois.

EXHIBIT 21

AVERAGE RATE FOR BANKS' FIXED-RATE LOANS BY STATE

<u>Loan Type</u>	<u>Illinois</u>	<u>Arizona</u>	<u>t-value</u>
New auto	13.62	14.75	2.80*
Late model used auto	14.75	15.15	.94
Older model used auto	15.55	15.60	.11
Unsecured personal loans:			
\$1000, 12-month	16.26	16.52	.35
\$2000, 24-month	16.05	16.38	.59
\$4000, 36-month	16.08	16.29	.21
Revolving credit:			
MasterCard	19.48	19.71	.38
Visa	19.54	21.00	1.62
<u>Change from last year</u> <u>(Basis Points)</u>	<u>Illinois</u>	<u>Arizona</u>	
New auto	-.44	-1.05	
Late model used auto	-.37	-.94	
Older model used auto	-.41	-.61	
Unsecured personal loans			
\$1000, 12-month	+.34	-.92	
\$2000, 24-month	+.03	-.98	
\$4000, 36-month	+.16	-.96	
Revolving credit			
Mastercard	-.50	-1.29	
Visa	-.33	-.75	

*Significant at one percent level of confidence.

Small changes in the sample of respondents in the two years could contribute to the differences in average rates we have observed. However, the banks in Arizona responding to our survey were largely the same as those responding last year. Consequently, we attribute most of the large decline in average bank rates in Arizona to the forces of competition in that state. As we have noted at many points throughout this monograph, either credit unions or national finance companies have lowered modal rates dramatically in the last year in Arizona.

Finance Companies' Rates

For many of the individual loan types analyzed, we noted that some national finance companies in both states were offering rates very competitive with those offered by banks. This was especially true in Arizona.

Last year, the average rates charged by national finance companies in Arizona were lower than the average rates charged by their counterparts in Illinois but the differences in rates were significant only for unsecured personal loans. This year, again, the average rates charged by national finance companies in Arizona were lower than average rates charged in Illinois. Only the differences for the large unsecured loans were statistically significant. However, last year average rates in Arizona were 216 basis points higher than in Illinois while this year the differences averaged 335 basis points across the three types of auto loans and three types of unsecured personal loans. These results suggest that national finance companies in Arizona were providing serious price competition for other lenders making consumer loans in that state.

AVERAGE RATES FOR NATIONAL FINANCE COMPANIES BY STATE

FIXED-RATE LOANS

<u>Loan Type</u>	<u>Illinois</u>	<u>Arizona</u>	<u>t-value</u>
New auto	18.08	16.32	.92
Late model used auto	20.48	17.18	1.07
Older model used auto	23.65	18.98	1.48
Unsecured personal loans:			
\$1000, 12-month	29.47	28.28	.74
\$2000, 24-month	26.96	22.41 ¹	3.10*
\$4000, 36-month	23.83	19.22 ¹	2.92*

*Significant at one percent level of confidence.

¹These rates reflect a rate ceiling in Arizona: on loans greater than \$1000, ceiling is greater if two and one half percent to \$300; two percent on balance above to \$1000; one and one-half percent on balance above to \$1500; and one percent on balance above \$1500 or 1.62 percent per month (19.44 percent).

IV. CONCLUSIONS

In the last 12 months, rates for consumer loans have fallen nationally. In this follow-up study to our similar study one year ago [2] we find that rates in states with no legal limit on consumer loan rates have fallen consistently with national market trends. This update survey offers ample evidence that competition controls rates for consumer loans in the absence of rate ceilings.

Available rates ranged widely among the various lenders for the types of consumer loans analyzed, with banks and credit unions at the low end of

the continuum and national and local finance companies at the high end. Savings and loan association in Illinois or Arizona had not significantly increased participation in the consumer loan market. Rates from S&Ls making consumer loans were similar to modal bank loan rates.

Although the phenomenon was less apparent in Illinois than in Arizona, a greater percentage of national finance companies was offering rates that were competitive with those offered by banks and credit unions this year relative to last year. And, more national finance companies were competing in the market for direct new car loans, an area that has historically been the domain of banks and credit unions. These results probably reflect a continuing drive on the part of some finance companies to upgrade the quality of customers served and broaden the scope of financial products being marketed.

The average rates from banks for the various types of loans in the two states were not significantly different save for the rates on new auto loans. This result differed markedly from the results of last year's survey, which found that average bank rates across the two states differed significantly for five of the eight consumer loan types analyzed. One explanation is that as finance companies and credit unions in Arizona have increased competition for various types of loans in Arizona, banks in that state have lowered rates more than they would have in the absence of such competitive forces.

FOOTNOTES

¹One credit union responding to the survey indicated that loan rates charged by the credit union had not changed in 28 years.

²The finance company reporting the highest rates last year did not respond to the survey this year. For purposes of this comparison, the high-rate lender was excluded from last year's data.

³Until this point in the study we have focused on the range and modal point of the rate distribution for each loan type. Now, we are using averages so that significance tests could be performed.

REFERENCES

1. Greer, D.F. and E.A. Nagata, "An Econometric Analysis of the New Auto Credit Market," The National Commission on Consumer Finance Technical Studies, Vol. IV, ed. D.F. Greer and R.P. Shay, Washington, D.C.
2. Sullivan, A. Charlene, Prices of Consumer Credit in the Absence of Rate Ceilings, Monograph 25, Credit Research Center, Purdue University, West Lafayette, Indiana 47907, 1983.

APPENDIX A

Questionnaire

April 16, 1984

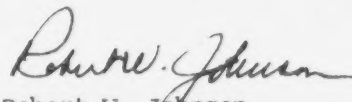
To: Senior Officer for Consumer Credit

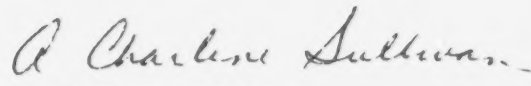
The Credit Research Center at Purdue University is conducting an update survey of RATES ON CONSUMER CREDIT CONTRACTS in states without rate ceilings. Your institution has been selected to be included in the sample for the study, and your cooperation is most important to the success of the project. The questions pertain to terms of loans issued by your bank to consumers in THE STATE OF ILLINOIS ONLY. The information that you provide will be handled exclusively by personnel of the Credit Research Center. The identities of the participants will not be disclosed with the results of the study.

A self-addressed, stamped envelope is enclosed for you to return the completed questionnaire. A prompt return is critical, since we wish to measure finance rates which were charged throughout the state during the week that you receive the questionnaire (April 16 - 21, 1984).

Please respond to the attached short set of questions. Should you have questions or comments, please write or telephone. You may receive a copy of an executive summary of the final study at no charge by filling in the form at the end of the questionnaire.

Thank you for your help!


Robert W. Johnson
Director


A. Charlene Sullivan
Associate Director

Credit Research Center

Krannert Graduate School of Management, Purdue University
West Lafayette, Indiana 47907 (317) 494-4380

1. First, let us consider the FINANCE RATES charged on loans made to NON-DEPOSITORS. Please answer the following questions:

a. What is the ANNUAL PERCENTAGE RATE (APR) that you were MOST LIKELY to have charged for the following direct loans to consumers? The "most likely" rate is that charged on the largest dollar

volume of new loans made in each category during the period April 16 - 21, 1984.

b. What were the HIGHEST and LOWEST rates that your bank charged on two or more contracts to NON-DEPOSITORS during the period April 16 - 21, 1984?

Please CHECK box if majority of loans are at a VARIABLE RATE.

Most
Likely
Rate

Highest
Rate

Lowest
Rate

Don't
Provide
This Type
Of Credit
(Check if
appropriate)

☐	(1) FIXED RATE, NEW CAR, \$8000, 85% loan-to-dealer-cost (wholesale) ratio, 48-months	—	—	—	—
☐	(2) VARIABLE RATE, NEW CAR, \$8000, 85% loan-to-dealer-cost (wholesale) ratio, 48-months	—	—	—	—
☐	(3) LATE MODEL USED CAR, (under 2 yrs.) \$5000, 90% loan-to-dealer-cost (wholesale) ratio 42-48 months	—	—	—	—
☐	(4) OLDER MODEL USED CAR, (3-4 yrs.) \$3000, 90% loan-to-dealer-cost (wholesale) ratio, 36-months	—	—	—	—
☐	(5) SECOND MORTGAGE LOANS, \$10,000, 5-years, loan-to-equity value not greater than 75%:				
	(a) APR	—	—	—	—
	(b) POINTS	—	—	—	—
☐	(6) UNSECURED PERSONAL LOANS:				
	(a) \$1,000, 12-month	—	—	—	—
	(b) \$2,000, 24-month	—	—	—	—
	(c) \$4,000, 36-month	—	—	—	—

2. Next, let us consider the FINANCE RATES charged on loans to YOUR OWN DEPOSITORS.

- a. IN COMPARISON TO RATES CHARGED TO NON-DEPOSITORS do you charge LOWER RATES to depositors as a GENERAL POLICY?

YES ____ NO ____

- b. Do you charge lower rates ONLY TO DEPOSITORS WHO HAVE "PACKAGE ACCOUNTS" that provide several services for which the customer pays a monthly fee?

YES ____ NO ____

If you answered NO to a or b GO TO QUESTION 3; otherwise, please continue with question 2 on the next page.

Question 2 - continued

(c-1). What is the ANNUAL PERCENTAGE RATE (APR) that you were MOST LIKELY to have charged for the following direct loans TO YOUR OWN DEPOSITORS? The "most likely" rate is that rate charged on the largest dollar volume of new loans in each category during the period April 16 - 21, 1984.

(c-2). What were the HIGHEST and LOWEST rates that your bank charged on two or more contracts to YOUR OWN DEPOSITORS during the period April 16 - 21, 1984?

Please CHECK box if majority of loans are at a VARIABLE RATE.

Most
Likely
Rate

Highest
Rate

Lowest
Rate

Don't
Provide
This Type
Of Credit
(Check if
appropriate)

☐	(1) FIXED RATE, NEW CAR, \$8000, 85% loan-to-dealer-cost (wholesale) ratio, 48-months	—	—	—	—
☐	(2) VARIABLE RATE, NEW CAR, \$8000, 85% loan-to-dealer-cost (wholesale) ratio, 48-months	—	—	—	—
☐	(3) LATE MODEL USED CAR, (under 2 yrs.) \$5000, 90% loan-to-dealer-cost (wholesale) ratio 42-48 months	—	—	—	—
☐	(4) OLDER MODEL USED CAR, (3-4 yrs.) \$3000, 90% loan-to-dealer-cost (wholesale) ratio, 36-months	—	—	—	—
☐	(5) SECOND MORTGAGE LOANS, \$10,000, 5-years, loan-to-equity value not greater than 75%:				
	(a) APR	—	—	—	—
	(b) POINTS	—	—	—	—
☐	(6) UNSECURED PERSONAL LOANS:				
	(a) \$1,000, 12-month	—	—	—	—
	(b) \$2,000, 24-month	—	—	—	—
	(c) \$4,000, 36-month	—	—	—	—

3. Does your bank ISSUE BANK CREDIT CARDS (as direct issuer or as an agent)?

NO ____: Go to Question 10.

YES ____: a. MasterCard ____ b. VISA ____ (check both if appropriate)

4. What is the PREDOMINANT ANNUAL PERCENTAGE RATE (APR) currently charged on these credit card accounts to CARDHOLDERS IN THE STATE OF ILLINOIS?

a. MasterCard _____ %

b. VISA _____ %

5. Do you charge an ANNUAL FEE on any of these credit cards?

YES ____ If NO, go to Question 7.

6. What is the PREDOMINANT ANNUAL FEE currently charged by your bank ON THESE CREDIT CARD ACCOUNTS IN THE STATE OF ILLINOIS?

a. MasterCard \$ _____ per year

b. VISA \$ _____ per year

c. Both MasterCard and VISA \$ _____ per year

7. Do you REQUIRE a cardholder to maintain a MINIMUM DEPOSIT BALANCE IN your bank?

____ NO

____ YES: What is the minimum? \$ _____

8. Do you charge a TRANSACTION FEE each time your credit card is used at retailers or at other points of sale? YES _____. If NO, go to question 10.

9. What is the PREDOMINANT TRANSACTION FEE ON THESE CREDIT CARD ACCOUNTS IN THE STATE OF ILLINOIS?

a. MasterCard _____ cents per transaction

b. VISA _____ cents per transaction

10. Finally, to help us measure the adequacy of our sample coverage, please provide the following:

- a. Name of your bank _____
- b. City _____
- c. Approximate DOLLAR AMOUNT OF CONSUMER CREDIT OUTSTANDING (excluding first mortgage credit, but NOT excluding second mortgage loans) at your bank on December 31, 1983 for office(s) located in ILLINOIS?
\$ _____
- d. Approximate DOLLAR AMOUNT OF TOTAL ASSETS at your bank on December 31, 1983 for office(s) located in ILLINOIS?
\$ _____

If you wish to receive a copy of the executive summary at no charge, please show below the name and address of the person to whom it should be sent:

Zip Code

APPENDIX B

Executive Summary

EXHIBIT 1

RATES CHARGED BY BANKS SINCE 1983 STUDY

	<u>Auto Loan Rate</u>	<u>Unsecured Personal Loan Rate</u>
February 1983	14.81%	17.4%
May 1983	13.90	16.57
August	13.50	16.28
November 1983	13.46	16.39
February 1984	13.32	16.16
May 1984	13.53	16.35

SOURCE: G.19 Statistical Release, Federal Reserve System, Board of Governors.

TABLE 1

MOST COMMON LOAN RATES IN ILLINOIS

April 16 - April 21, 1984

<u>Loan Type</u>	<u>Commercial Banks</u>	<u>Savings & Loan Associations</u>	<u>Credit Unions</u>	<u>National Finance Co.</u>	<u>Local Finance Co.</u>
New auto					
Minimum	10.80%	11.83%	9.00%	14.50%	13.25%
Maximum	19.87	15.17	18.00	24.00	22.50
Modal	13.50	13.00	12.00	--	--
Percent making loans	79.00	61.00	80.00	36.00	33.00
Late model used auto					
Minimum	11.90	12.75	9.00	14.99	13.75
Maximum	20.87	16.00	18.00	31.50	28.00
Modal	14.50	14.00	15.00	--	18.00
Percent making loans	69.00	48.00	80.00	31.00	45.00
Older model used auto					
Minimum	11.96	12.75	9.00	16.90	14.00
Maximum	20.87	17.92	19.00	35.00	30.00
Modal	15.00	14.00	12.00	21.00	-- 0
Percent making loans	77.00	48.00	80.00	38.00	56.00

¹The minimum rates here are APRs. One credit union reported that their loan rates had not changed in 28 years.

SOURCE: Credit Research Center, Purdue University, 1984

TABLE 2

UNSECURED PERSONAL LOAN RATES - ILLINOIS

<u>Loan Type</u>	<u>Lenders</u>				
	<u>Commercial Banks</u>	<u>Savings & Loan Associations</u>	<u>Credit Union</u>	<u>National Finance Co.</u>	<u>Local Finance Co.</u>
\$1,000, 12-month					
Minimum	12.68%	13.00%	8.50%	21.00%	15.00%
Maximum	25.00	20.50	24.00	36.00	36.00
Modal	16.00	--	15.00	--	--
Percent making loans	72.00	45.00	86.00	81.00	83.00
\$2,000, 24-month					
Minimum	12.91	14.00	8.50	18.50	15.00
Maximum	21.63	19.25	21.00	36.00	34.00
Modal	16.00	14.00	15.00	30.00	24.00
Percent making loan	69.00	37.50	67.00	83.00	83.00
\$4,000, 36-month					
Minimum	12.83	13.50	8.48	18.00	15.00
Maximum	21.21	19.00	21.00	33.25	30.00
Modal	15.00	14.00	15.00	--	30.00
Percent making loan	57.00	25.00	46.00	94.00	50.00

SOURCE: Credit Research Center, Purdue University, 1984.

TABLE 3

MOST COMMON AUTO LOAN RATES - ARIZONA

April 16 - April 21, 1984

	<u>Commercial Banks</u>	<u>Savings & Loan Associations</u>	<u>Credit Union</u>	<u>National Finance Co.</u>	<u>Local Finance Co.</u>
<u>Loan Type</u>					
New auto					
Minimum	13.00%	14.75%	12.00%	14.50%	--
Maximum	16.00	15.00	15.00	19.50	--
Modal	14.50	--	12.00	--	--
Percent making loan	79.00	50.00	89.00	43.00	
Late model used auto					
Minimum	14.00	15.00	12.00	14.99	--
Maximum	16.50	15.00	18.00	19.50	--
Modal	15.00	--	15.00	19.50	--
Percent making loan	79.00	50.00	91.00	36.00	--
Older model used auto					
Minimum	14.50	15.00	12.00	15.00	--
Maximum	17.00	15.00	18.00	23.00	--
Modal	15.00	--	15.00	20.00	--
Percent making loan	79.00	50.00	43.00	36.00	--

SOURCE: Credit Research Center, Purdue University, 1984.

TABLE 4

MOST COMMON UNSECURED PERSONAL LOAN RATE - ARIZONA

April 16 - April 21, 1984

<u>Loan Type</u>	<u>Commercial Banks</u>	<u>Savings & Loan Associations</u>	<u>Credit Union</u>	<u>National Finance Co.</u>	<u>Local Finance Co.</u>
\$1,000, 12-month					
Minimum	15.00	16.00	12.00	26.00	26.68
Maximum	18.00	21.00	19.00	32.00	26.70
Modal	16.00	--	18.00	28.50	--
Percent making loans	86.00	75.00	96.00	79.00	100.00
\$2,000, 24-month					
Minimum	15.00	16.00	12.00	18.00	22.85
Maximum	18.00	21.00	18.00	23.40	23.20
Modal	16.00	--	18.00	23.00	--
Percent making loans	79.00	75.00	83.00	79.00	100.00
\$4,000, 36-month					
Minimum	15.00	16.00	14.75	17.00	19.50
Maximum	18.00	21.00	18.00	19.90	19.50
Modal	16.00	--	18.00	19.50	--
Percent making loans	50.00	75.00	72.00	86.00	100.00

SOURCE: Credit Research Center, Purdue University, 1984.

TABLE 5
MOST COMMON RATES FOR SECOND MORTGAGE LOANS

\$10,000, 5-8 yr, 85% loan to value

April 16 - 24, 1984

	<u>Commercial Banks</u>	<u>Savings & Loan Associations</u>	<u>Credit Union</u>	<u>National Finance Co.</u>	<u>Local Finance Co.</u>
	<u>Illinois</u>				
Minimum	12.00	12.00	12.00	15.00	14.00
Maximum	18.90	16.90	18.00	24.90	24.90
Modal	14.50	14.50	15.00	18.00	19.50
	<u>Arizona</u>				
Minimum	14.00	14.15	12.90	14.00	16.90
Maximum	18.90	15.16	16.00	20.90	16.90
Modal		--	--		--

SOURCE: Credit Research Center, Purdue University, 1984.

TABLE 6
RETAIL REVOLVING CREDIT

	Illinois		Arizona	
	<u>National Chain</u>	<u>Local</u>	<u>National Chain</u>	<u>Local</u>
Number	11	10	8	2
Avg. rate	20.50	18.12	20.40	21.00
Minimum	18.00	12.00	18.00	18.00
Maximum	23.94	21.60	21.60	24.00

SOURCE: Credit Research Center, Purdue University, 1984.

TABLE 7
BANKCARD PRICING

<u>MasterCard</u>	Illinois			Arizona		
	<u>Banks</u>	<u>Credit Unions</u>	<u>Savings & Loan</u>	<u>Banks</u>	<u>Credit Unions</u>	<u>Savings & Loan</u>
<u>APR</u>						
Number	61	2	7	7	3	1
Minimum	17	16.08	16	18	18	21
Maximum	22	17.80	22	21	18	21
Mode	18	--	--	21	18	--
<u>Annual fee</u>						
Number	38	0	1	2	1	0
Minimum	10		15	15	5	
Maximum	30		15	15		
<u>Visa</u>						
Number	62	5	8	4	7	2
Minimum	17	17.50	16	21	18	21
Maximum	22	18.00	22	21	19	21
Mode	18			21		
<u>Annual fee</u>						
Number	36	1	2	2	0	0
Minimum	10	10	15	15		
Maximum	30		15	15		

SOURCE: Credit Research Center, Purdue University, 1984.

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